



Grain Trade Policy

January 14, 2005

Ecuador

Summary

Ecuador is a net grain importer (mainly wheat and corn). The United States supplies approximately half of the grains imported by Ecuador, followed by Canada and Argentina. U.S. exports of grain totaled over \$35 million in 2003, down 45 percent from the previous year's surge. Corn accounted for nearly two-thirds of the total, followed by wheat.

Market Access

Tariffs

Ecuador's tariff schedule is based on the Harmonized System of Nomenclature and ranges between 0-20 percent for agricultural products. These rates have a four-tiered structure with levels of 5 percent for most raw materials, 10 to 15 percent for intermediate goods and bulk commodities, and 20 percent for consumer goods.

As a member of the Andean Community Nations (CAN), Ecuador grants and receives exemptions on tariffs (i.e. reduced ad-valorem tariffs and no application of the Price Band) for products coming from Colombia, Venezuela and Bolivia. Currently, these countries have an Andean Free Trade Zone, and apply Common External Tariffs (CET) as stated in CAN decision #370. There is a proposal for a new CET with a three-tiered structure with levels of 5, 10 and 20 percent for agricultural products. On May 4, 2004, CAN issued Decision 580 which postponed the entering into force of the CET until May 2005.

Ecuador maintains an Andean Price Band System (APBS) on 153 agricultural products (13 "marker" products and 140 "linked" products) imported from outside the CAN. Marker products include wheat, rice, barley, white corn and yellow corn, among others. Under this system, the ad-valorem CET tariffs are adjusted (increased or reduced) according to the relationship between international reference prices, already established floor and ceiling prices, and the importation price of the commodity.

ECUADOR'S AGRICULTURAL PRODUCT TARIFFS

Tariff Code Chapter	PRODUCTS	Ad-valorem (%)	V.A.T (%)	CET Proposed Ad-valorem (%)
10	CEREALS			
	Wheat	10	0	10
	Barley #2	15	0	20
	White corn	15	0	20
	Yellow corn	15	0	20
	Rice 10% broken	20	0	20
11	FLOUR FROM GRAINS	20	12	20

Source: Ecuador's Harmonized Tariff Schedule

Note: According to the "Internal Tariff Regime Law", Art. 54, most of raw agricultural products are exempted from the Value Added Tax (VAT)

Note: The proposed CET will be in affect in May 2005, according to Decision 580 from CAN nations Commission.

ANDEAN PRICE BAND SYSTEM (U.S. Dollars)

Andean Tariff Schedule Nandina #381	Marker Product	Floor Price cif	Ceiling Price cif	Referential Price cif	Ad-Valorem Tariff Rate cif %	Average Variable Levy Over Refer. Price %	Range Of Variable Levy Over Refer. Price %	Proposed CET %	WTO Bound Tariff
1006.30.00	Broken Rice 10%	253	319	238	20%	8%	0%, 11%	20%	67.5%
1003.00.90	Barley #2	132	141	152	15%	-8%	-14%, -2%	15%	36%
1005.90.11	Yellow Corn	120	132	130	15%	-1%	-7%, 0%	15%	45%
1005.90.12	White Corn	124	145	154	15%	-6%	-15%, 0%	15%	45%
1001.10.90	Wheat Durum	147	164	182	10%	-8%	-10%, -3%	15%	36%

Source: Andean Community of Nations Secretariat

Average Reference Price from April 1, 2003 through February 29, 2004

Tariff Rate Quotas

Ecuador established Tariff Rate Quotas (TRQs) in 1998. In May of 2000, the Government of Ecuador (GOE), created the "TRQ Committee" to administer and manage TRQs and to issue licensing regulations for 15 TRQ products, including wheat, corn, sorghum, and barley. This committee decides on the quantities and the number of licenses to be issued to importers each year. The TRQ quantities for each year increased from 1998 until 2001 under the WTO commitments. After that year, the TRQ quantities have remained constant and, in many cases, unused.

TRQs are beneficial to importers when the in-quota tariff rate is lower than the total tariff duties, which include ad valorem rates plus a variable levy for products under the APBS. When a given product has a reference price above the ceiling of the APBS, the ad valorem rate is reduced. In some cases this reduced ad-valorem rate ends up being lower than the in-quota tariff rate, which is why importers may not request TRQs in certain years.

ECUADOR'S TARIFF RATE QUOTAS

Product	HTS	In-Quota Quantity 1996 MT	Initial In-Quota Rate	In-Quota Quantity 2001 MT	Final In- Quota Rate	Fill Rate 2002*
Wheat	10010000	390,000	19%	480,000	19%	0%
Corn	10059000	16,000	25%	19,678	25%	100%
Sorghum	10070090	10,000	25%	12,300	25%	0%
Barley	10030090	13,000	25%	16,000	25%	0%

* Importers requested TRQs only for corn in 2002. There were no requests for TRQs in 2003 due to commodity prices, as explained above.

Sanitary and Phytosanitary Measures

Ecuador requires that wheat coming from the U.S. must come from areas where Karnal bunt is not known to occur. There is a ban on rice imports coming from Asian countries, allegedly due to the presence of Khappra beetle in those countries. Rice of U.S. origin may enter without restrictions when deemed necessary but faces a high tariff: 20 percent ad-valorem duty, plus an average variable levy of 8 percent for the marketing year April 2003 through March 2004.

Other Terms and Conditions

The Ministry of Agriculture has created "Comites Consultivos" (Advisory Committees) for rice, corn, wheat, and others. These private sector advisory committees recommend policies regarding imports and their impact on local production and prices. The importation of corn depends on the decision of the Advisory Committee, which requires the absorption of local production at a certain accepted price as a prior condition. Sometimes, the corn prices paid to local farmers are higher than prices of imported corn, including CIF price.

Bilateral Agreements with the United States

Ecuador does not have a bilateral agreement with the United States, but Ecuador is a beneficiary country of the Andean Trade Promotion and Drug Eradication Act (ATPDEA) through Proclamation 7616 of October 31, 2002. The ATPDEA will expire in 2006.

The U.S. has begun negotiations on a bilateral free trade agreement with the Andean Countries.

U.S. Non-Party Agreements***Andean Community of Nations (CAN)***

Ecuador is an active member of the Andean Community of Nations (CAN) and participates in the Common External Tariff schedule (CET).

Ecuador-Peru Peace Talks Agreement

Ecuador and Peru signed a bilateral agreement in 1998, which promotes and fosters trade between these two countries. Through this agreement, that was only partially implemented by December 31, 2001, the

deadline for full implementation, Ecuador and Peru gave tariff free access to each other for numerous products. By the year 2005, 97 percent of the items of agriculture will have lower tariffs, except for rice, corn, milk, poultry meat, and vegetable oils, which will maintain protection, both in Ecuador and Peru, in the form of less significant tariff reductions, plus maximum import quantities. For example, in 2003, up to 50,000 mt of yellow corn could be imported at 0 percent tariff; imports above that level faced a 7.5 percent tariff. Rice faces a 10 percent duty without volume restrictions.

Ecuador- ALADI

As a member of ALADI (Latin-American Integration Agreement), Ecuador has benefited from tariff reduction agreements with Brazil, Argentina, Paraguay, Uruguay, and Mexico.

IMPORT TARIFFS PAID ON GRAINS FROM SELECT COUNTRIES

HTS	Product	Paraguay	Uruguay	Argentina	Brazil	Mexico	Cuba
10011090	Wheat	10.00	1.00	10.00	9.20	9.20	10.00
10030090	Barley	9.00	7.50	15.00	15.00	15.00	15.00
10059011	Corn	15.00	7.50	15.00	13.50	15.00	15.00
10063000	Milled Rice	12.00	10.00	20.00	20.00	20.00	20.00
10064000	Broken Rice	20.00	10.00	20.00	20.00	20.00	20.00

MERCOSUR

The CAN has completed a “block to block” trade agreement with MERCOSUR. Under the MERCOSUR-CAN agreement, member countries agreed to liberalize 80 percent of the tradable products between the two blocks, reducing to zero at the end of 10 years. Products considered “sensitive” (such as wheat for the CAN) will have their tariffs reduced in 15 years. This agreement was finalized in October 2004 and is scheduled to enter into force in January 2005.

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